

This letter discusses taxation of installation and travel charges related to the installation of computer equipment. See 86 Ill. Adm. Code 130.1935. (This is a GIL).

August 25, 2000

Dear Xxxxx:

This letter is in response to the letter you faxed to us dated June 21, 2000. The nature of your letter and the information you have provided require that we respond with a General Information Letter, which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120 subsections (b) and (c), which can be found at <http://www.revenue.state.il.us/legalinformation/regs/part1200>.

In your letter, you have stated and made inquiry as follows:

Comments: Our customer who resides in Illinois did not pay the tax that we charged for the engineer's travel expense that was billed as a separate line item from the installation charge (for which we did not charge tax). This billing was for installation & travel expenses of the engineer who installed computer equipment. Are the travel expenses of the engineer nontaxable also? Thanks for your help!

Attached is a copy of 86 Ill. Adm. Code 130.1935 concerning Computer Software.

Installation charges are not taxable if they are separately stated from the selling price of canned software. See Section 130.1935(b). If the charges are not separately stated, then the charges are subject to tax. Installation charges for hardware are not taxable where the seller and buyer agree upon the charges separately from the selling price of the hardware which is sold. See Section 130.450, copy attached. An invoice which separately states charges for installation and is initialed by the purchaser constitutes a separate agreement.

Travel charges are taxable if included as part of the selling price of canned software. If the travel charges are incurred as part of the installation for the canned software, and there is a separate agreement for installation, such charges are not taxable. See Section 130.1935(b).

When the travel charges are incurred apart from any sale of software and as part of rendering services, they may be taxable. In these circumstances, a person acts as a serviceman and is subject to the Service Occupation Tax. (SOT). To the extent that no tangible personal property is transferred incident to service, no tax is due. However, if property is transferred incident to service, the travel charges may or may not be included in the tax base. If a serviceman handles his tax liability by paying SOT on the separately stated selling price of the cost of the property transferred to his customer incident to service, no tax is due on the travel charges. However, if the service bill does not break out the separately stated selling price of the items transferred, then the tax base is 50% of the entire bill, which would include the travel charges. See attached cop of 86 Ill. Adm. Code 140.101.

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If a person acts as a registered de minimis serviceman, then the travel charges are not taxable. (See Section 140.101(f) for definition of de minimis.) A registered de minimis serviceman, only owes Service Occupation Tax on his cost price of the tangible personal property transferred incident to the service. This liability would not include charges for travel. If a person acts as an unregistered de minimis serviceman, then the travel charges are not taxable to the customer. Unregistered de minimis servicemen owe Use Tax on the cost price of tangible personal property they use in providing service. This liability would not include charges for travel.

If the travel charges are incurred as part of services provided under a maintenance agreement, then the charges are not taxable. Persons transferring tangible personal property incident to completion of a maintenance agreement owe Use Tax on the cost price of tangible personal property transferred. See Section 130.1935(b).

I hope this information is helpful. The Department of Revenue maintains a Web site, which can be accessed at [www.revenue.state.il.us](http://www.revenue.state.il.us). If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of the enclosed copy of Section 1200.110(b).

Very truly yours,

Martha P. Mote  
Associate Counsel

MPM:msk  
Enc.